Chanel v Melwani2 International Sdn Bhd & Ors and other suits

HIGH COURT (KUALA LUMPUR) — SUIT NOS WA-22IP-20–05 OF 2016, WA-22IP-21–05 OF 2016, WA-22IP-22–05 OF 2016 AND WA-22IP-23–05 OF 2016
WONG KIAN KHEONG JC
28 FEBRUARY 2017

Civil Procedure — Summary judgment — Application for — Plaintiffs sued defendants for infringement of trademark — Plaintiff applied for summary judgment — Whether judgment in default of defence should be entered against first and second defendants — Whether plaintiffs could obtain summary judgment against third defendant — Whether court should pierce first defendant's corporate veil — Rules of Court 2012 O 13 r 6(1), O 14 & O 19 r 7(1)

Companies and Corporations — Lifting of corporate veil — Whether exceptional circumstances existed — Whether court should pierce first defendant's corporate veil

Trade Marks — Registered trademark — Infringement of — Plaintiffs sued defendants for infringement of trademark — Whether elements of infringement proven — Trade Marks Act 1976 s 38(1)(a)

The plaintiffs were the proprietors of registered trademarks for various goods in Classes 3, 9, 14, 18, 24, 25 and 35 ('the plaintiffs' registered trademarks') whereas the second and third defendants were the directors of the first defendant company. In the present case, the first defendant was not a distributor or retailer authorised by the plaintiffs to sell goods bearing the plaintiffs' registered trademarks, nevertheless, the first defendant sold goods bearing the plaintiff's registered trademarks at the first defendant's business premises. Consequently, the four suits ('the present actions') had been filed by the plaintiffs against the first to third defendants based on infringement of the plaintiffs' registered trademarks under s 38(1)(a) of the Trade Marks Act 1976 ('the Act'). The plaintiffs had served the writ and statement of claim on all the defendants. The third defendant had entered appearance and had filed a defence, nonetheless, the first and second defendants did not enter appearance. In the present actions, the plaintiff applied for summary judgment ('the applications') against all the defendants. The issues for determination were: (a) whether judgment in default of defence should be entered against the first and second defendants; (b) whether the plaintiffs could obtain summary

judgment against the third defendant; and (c) whether the court should pierce the first defendant's corporate veil.

Held, granting summary judgment against the third defendant:

(1) The court was not inclined to dismiss the applications against the first and second defendants. The statement of claim of the plaintiffs' action claimed for, among others, injunction and inquiry of damages. In view of the relief claimed by the plaintiffs, O 13 r 6(1) of the Rules of Court 2012 ('the ROC') was applicable to the present actions. Based on the said provision, the plaintiffs could proceed with the present actions against the first and second defendants as if they had entered appearance (see para 8(a)).

(2) Despite the use of the mandatory term 'shall' in O 19 r 7(1) of the ROC, the following cases ie *Microsoft Corp v PC House (Imbi) Sdn Bhd* [1998] 6 MLJ 402; and *Muthammah a/p Govindan v Masri bin Mohamed & Anor* [2000] 5 MLJ 518, had held that the court had a discretion to enter judgment in default of defence. Accordingly, the court had a discretion to enter a judgment in default of defence against the first and second defendants (see para 8(c)).

(3) The five elements of the first defendant's infringement had been proven by the following undisputed affidavit evidence adduced by the plaintiffs in the applications: (a) the first defendant was neither the registered proprietor nor the registered user of the plaintiffs' registered trademarks; (b) the first defendant had used marks ('the offending marks') identical with or so nearly resembling the plaintiffs' registered trademarks as was likely to deceive or cause confusion; (c) the first defendant had used the offending marks in the course of trade; (d) the first defendant had used the offending marks in relation to goods within the scope of registration of the plaintiffs' registered trademarks; and (e) the first defendant had used the offending marks in such a manner as to render that use likely to be used as a trademark. In addition, the defence, affidavits and written submission of the third defendant did not dispute the commission of the first defendant's infringement (see paras 13–14).

(4) The general rule is that a company's directors, shareholders and employees should not be personally liable for the company's act or omission. To pierce or lift a corporate veil, two conditions must be fulfilled ie firstly, the piercing or lifting of a corporate veil is in the interest of justice ('the first condition'); and secondly, there exists special circumstances to pierce or lift the corporate veil ('the second condition') (see para 16(a) & (f)).

(5) In the present case, the first condition was satisfied for the following reasons: firstly, the third defendant had paid RM318,000 fine for the first

defendant for the offence committed by the first defendant under s 8 of the Trade Descriptions Act 2011; secondly, the defence and affidavit of the third defendant in the present actions, claimed to have resigned as a director of the first defendant 'at the end of 2014' could not be accepted because; (a) if the third defendant had indeed resigned, there would be no reason for the third defendant to had personally paid RM318,000 fine for the first defendant; (b) a search record dated 28 April 2016 of Companies Commission of Malaysia ('SSM record') showed that third defendant was still a director of the first defendant; and (c) the third defendant had not adduced any documentary evidence regarding his alleged resignation as the first defendant's director; thirdly, SSM record showed that the third defendant owned 170,000 paid-up shares in the first defendant, accordingly, the third defendant could not claim ignorance of the first defendant's infringement when he had invested substantially in the first defendant which only sold infringing goods (see para 20(a)).

(6) The second condition was fulfilled because the following special circumstances existed to pierce the first defendant's corporate veil: (a) the third defendant should not evade statutory liability for trademark infringement under s 38(1)(a) of the Act owed to the plaintiffs; and (b) the first defendant's corporate personality should not be abused by the third defendant. Additionally or alternatively, based on the evidence, the court was not satisfied that the third defendant had successfully discharged the legal burden to raise an issue which should be tried in the present actions; and there was no 'other reason for trial' in the present actions as there was no circumstance which ought to be investigated in these cases, especially in light of the third defendant's payment of RM318,000 fine for the first defendant (see paras 20(2) & 21).

[Bahasa Malaysia summary

Pihak plaintif merupakan pemilik berdaftar tanda dagangan untuk pelbagai barangan Kelas 3, 9, 14, 18, 24, 25 dan 35 ('tanda dagangan plaintif') manakala defendan kedua dan ketiga merupakan pengarah syarikat defendan pertama. Dalam kes ini, defendan pertama bukan pengedar ataupun penjual yang diberi kuasa oleh plaintif untuk menjual barangan dengan tanda dagangan plaintif, walau bagaimanapun, defendan pertama menjual barangan dengan tanda dagangan plaintif di premis perniagaan defendan pertama. Akibatnya, empat guaman ('tindakan ini') telah difailkan oleh plaintif terhadap defendan pertama hingga defendan ketiga berdasarkan pelanggaran tanda dagangan plaintif di bawah s 38(1)(a) Akta Cap Dagangan 1976 ('Akta tersebut'). Plaintif telah menyampaikan writ dan penyataan tuntutan kepada kesemua defendan. Defendan ketiga telah memasukkan kehadiran dan memfailkan pembelaan, tetapi, defendan kedua dan defendan pertama tidak memasukkan kehadiran. Dalam tindakan ini, plaintif telah memohon penghakiman terus ('permohonan tersebut') terhadap semua defendan. Isu-isu

yang harus dipertimbangkan adalah (a) sama ada penghakiman ingkar pembelaan harus dimasukkan terhadap defendan pertama dan defendan kedua; (b) sama ada plaintif boleh mendapatkan penghakiman terus terhadap defendan ketiga; dan (c) sama ada mahkamah harus menyingkap tabir korporat defendan pertama.

Diputuskan, memberikan penghakiman terus terhadap defendan ketiga:

(1) Mahkamah tidak cenderung untuk menolak permohonan terhadap defendan pertama dan kedua. Pernyataan tuntutan bagi tindakan plaintif menuntut, antara lain, injunksi dan siasatan menentukan ganti rugi. Berkenaan relif yang dituntut oleh plaintif, A 13 k 6(1) Kaedah-Kaedah Mahkamah 2012 ('KKM') merupakan undang-undang terpakai untuk tindakan ini. Berdasarkan peruntukan tersebut, plaintif boleh meneruskan tindakan ini terhadap defendan pertama dan defendan kedua seolah-olah mereka telah memasukkan kehadiran (lihat perenggan 8(a)).

(2) Tanpa mengambil kira penggunaan perkataan bersifat mandatori 'hendaklah' dalam A 19 k 7(1) KKM, kes-kes seperti *Microsoft Corp v PC House (Imbi) Sdn Bhd* [1998] 6 MLJ 402; dan *Muthammah a/p Govindan v Masri bin Mohamed & Anor* [2000] 5 MLJ 518, telah memutuskan bahawa mahkamah mempunyai budi bicara untuk memberikan perintah ingkar bagi memasukkan pembelaan. Oleh itu, mahkamah ini mempunyai budi bicara untuk memberikan penghakiman ingkar pembelaan terhadap defendan pertama dan defendan kedua (lihat perenggan 8(c)).

(3) Lima elemen pelanggaran defendan pertama telah dibuktikan dengan bukti afidavit berikut yang tidak dipertikaikan yang dikemukakan oleh plaintif dalam permohonan: (a) defendan pertama bukan pemilik berdaftar ataupun pengguna berdaftar tanda dagangan plaintif; (b) defendan pertama telah menggunakan tanda ('tanda yang salah') yang serupa ataupun hampir serupa dengan tanda dagangan plaintif yang mungkin memperdayakan atau menyebabkan kekeliruan; (c) defendan pertama telah menggunakan tanda yang salah dalam proses perdagangannya; (d) defendan pertama telah menggunakan tanda yang salah untuk barang dagangan dalam skop pendaftaran tanda dagangan daftaran plaintif; dan (e) defendan pertama telah menggunakan tanda yang salah sebagaimana tanda yang salah tersebut boleh dianggap sebagai satu tanda dagangan. Tambahan pula, pembelaan, afidavit dan penghujahan bertulis defendan ketiga tidak mempertikaikan perbuatan pelanggaran defendan pertama (lihat perenggan 13–14).

(4) Peraturan am ialah pengarah, pemegang saham dan pekerja syarikat tidak sepatutnya mempunyai tanggungjawab peribadi untuk perbuatan atau ketinggalan syarikat. Untuk menyingkap atau mengangkat tabir

korporat, dua syarat mesti dipenuhi, iaitu, pertama, penyingkapan atau pengangkatan tabir korporta adalah untuk kepentingan keadilan ('syarat pertama'); dan kedua, terdapat keadaan khusus untuk meyingkap atau mengangkat tabir korporat ('syarat kedua') (lihat perenggan 16(a) & (f)).

(5) Dalam kes ini, syarat pertama telah dipenuhi dengan sebab-sebab berikut: pertamanya, defendan ketiga telah membayar denda sebanyak RM318,000 bagi pihak defendan pertama untuk kesilapan yang dilakukan oleh defendan pertama di bawah s 8 Akta Perihal Dagangan 2011; kedua, dalam pembelaan dan afidavit defendan ketiga dalam tindakan ini, defendan ketiga dikatakan telah meletak jawatan sebagai pengarah defendan pertama 'pada akhir tahun 2014' tidak boleh diterima pakai kerana; (a) jika defendan ketiga telah meletak jawatan, defendan ketiga tiada sebab untuk membayar RM318,000 secara peribadi untuk defendan pertama; (b) satu rekod carian bertarikh 28 April 2016 Suruhanjaya Syarikat Malaysia ('rekod SSM') telah menunjukkan bahawa defendan ketiga masih merupakan seorang pengarah untuk defendan pertama; dan (c) defendan ketiga masih belum mengemukakan apa-apa bukti dokumentar berkenaan dakwaan perletakan jawatannya; ketiga, rekod SSM telah menunjukkan bahawa defendan ketiga memiliki 170,000 saham yang dibayar sepenuhnya dalam defendan pertama, oleh itu, defendan tidak boleh mendakwa tiada pengetahuan terhadap pelanggaran defendan pertama apabila dia telah melaburkan jumlah yang cukup besar di defendan pertama yang hanya menjual barang larangan (lihat perenggan 20(a)).

(6) Syarat kedua telah dipenuhi kerana keadaan khusus wujud untuk menyingkap tabir korporat defendan pertama: (a) defendan ketiga tidak harus mengelakkan diri daripada liabiliti statutori untuk pelanggaran tanda dagangan di bawah s 38(1)(a) Akta tersebut yang dihutang kepada plaintif; dan (b) personality korporat defendan pertama tidak harus disalahgunakan oleh defendan ketiga. Tambahan pula atau secara alternatif, berdasarkan bukti, mahkamah tidak berpuas hati bahawa pelepasan defendan ketiga telah melepaskan beban undang-undang untuk membangkitkan isu yang harus dibicarakan dalam tindakan ini; dan tiada 'sebab lain untuk perbicaraan' dalam tindakan ini kerana tiada keadaan yang patut disiasat dalam kes-kes ini, memandangkan defendan ketiga membayar denda sebanyak RM 318,000 untuk defendan pertama (lihat perenggan 20(a) & 21).]

Notes

For a case on infringment of registered trademark, see 12(2) *Mallal's Digest* (5th Ed, 2015) para 2873.

For a case on whether exceptional circumstances existed, see 3(1) *Mallal's Digest* (5th Ed, 2015) para 530.

A For cases on application for summary judgment see 2(5) *Mallal's Digest* (5th Ed, 2017 Reissue) paras 9868–9950

Cases referred to

Abercrombie & Fitch Co & Anor v Fashion Factory Outlet KL Sdn Bhd & Ors [2008] 4 MLJ 127; [2008] 7 CLJ 413, HC (refd)

Acushnet Company v Metro Gold Manufacturing Sdn Bhd [2006] MLJU 412; [2006] 7 CLJ 557, HC (refd)

Atlas Maritime Co SA v Avalon Maritime Ltd; The Coral Rose (No 1) [1991] 4 All ER 769, CA (refd)

Cempaka Finance Bhd v Ho Lai Ying (trading as KH Trading) & Anor [2006] 2 MLJ 685; [2006] 3 CLJ 544, FC (refd)

Creative Technology Ltd v Cosmos Trade-nology Pte Ltd and Another [2003] 3 SLR 697, HC (refd)

Deepak Jaikishan a/l Jaikishhan Rewachand & Anor v Intrared Sdn Bhd (previously known as Reetaj City Centre Sdn Bhd and formerly known as KFH Reetaj Sdn Bhd) & Anor [2013] 7 MLJ 437, HC (refd)

Fabrique Ebel Societe Anonyme v Syarikat Perniagaan Tukang Jam City Port & Ors [1988] 1 MLJ 188 (refd)

Ferco Seating Systems (M) Sdn Bhd v The Product People Pty Ltd [2009] 6 MLJ 874, HC (refd)

Giga Engineering & Construction Sdn Bhd v Yip Chee Seng & Sons Sdn Bhd & Anor [2015] 6 MLJ 449; [2015] 9 CLJ 537, FC (folld)

Gurbachan Singh s/o Bagawan Singh & Ors v Vellasamy s/o Pennusamy & Ors (on their behalf and for the 213 sub-purchasers of plots of land known as PN35553, Lot 9108, Mukim Hutan Melintang, Hilir Perak) and other appeals [2015] 1 MLJ 773, FC (folld)

KTL Sdn Bhd v Leong Oow Lai [2014] MLJU 1405; [2014] AMEJ 1458, HC (refd)

Leo Pharmaceutical Products Ltd A/S (Lovens kemiske Fabrik Produktionsaktieselskab) v Kotra Pharma (M) Sdn Bhd [2009] 5 MLJ 703; [2012] 10 CLJ 507, HC (refd)

Lim Eng Kay v Jaafar bin Mohamed Said [1982] 2 MLJ 156; [1982] CLJ Rep 190, FC (refd)

Mackt Logistics (M) Sdn Bhd v Malaysian Airline System Bhd [2014] 2 MLJ 518; [2014] 5 CLJ 851, CA (refd)

Microsoft Corp v PC House (Imbi) Sdn Bhd [1998] 6 MLJ 402, HC (refd)

Muthammah a/p Govindan v Masri vin Mohamed & Anor [2000] 5 MLJ 518, HC (refd)

National Company For Foreign Trade v Kayu Raya Sdn Bhd [1984] 2 MLJ 300; [1984] 1 CLJ Rep 283, FC (refd)

Nik Mohd Yusof bin Nik Ismail (suing on behalf of Persatuan Pemilik dan Penduduk Serendah Golf Resort) v Majlis Daerah Hulu Selangor [2005] 4 MLJ 338, HC (refd)

Pentadbir Tanah Daerah, Pontian & Ors v Ossons Ventures Sdn Bhd [2009] 6

MLJ 182; [2009] 6 CLJ 713, CA (refd)
Salomon v Salomon & Co, Ltd; Salomon & Co, Ltd v Salomon [1895-99] All ER Rep 33, HL (refd)
Solid Investments Ltd v Alcatel-Lucent (M) Sdn Bhd (previously known as Alcatel Network Systems (M) Sdn Bhd) [2014] 3 MLJ 785; [2014] 3 CLJ 73, FC (folld)
Sunrise Sdn Bhd v First Profile (M) Sdn Bhd & Anor [1996] 3 MLJ 533, FC (refd)
Tan Tek Seng v Suruhanjaya Perkhidmatan Pendidikan & Anor [1996] 1 MLJ 261; [1996] 2 CLJ 771, CA (refd)
Trade Facilities Pte Ltd & Ors v Public Prosecutor [1995] 2 SLR 475, HC (refd)
United Merchant Finance Bhd v Majlis Agama Islam Negeri Johor [1999] 1 MLJ 657, FC (refd)

Legislation referred to

Companies Act 1965 s 20(a)
Rules of the High Court 2012 O 13 rr 1, 2, 3, 4, 5, 6(1), O 14 rr 1(1), 1(2)(b), 2(1), 3(1), 4(1), O 19 rr 2, 3, 4, 5, 6, 7(1), (3), O 59 r 7(4)
Rules of the High Court 1980 O 19 r 7(1)
Trade Descriptions Act 2011 s 8
Trade Marks Act 1976 s 38(1), 38(1)(a)

Jasdev Singh Gill (Geraldine Shamini and Sukumar s/o Karuppiah with him) (Jasdev Chambers) for the plaintiff.
Loo Chay Meng (Siti Fariza bt Faris with him) (Abu Hassan & Assoc) for the third defendant.

Wong Kian Kheong JC:

INTRODUCTION

[1] This judgment discusses a novel question of whether an individual may be personally liable for a company's infringement of a registered trademark under s 38(1)(a) of the Trade Marks Act 1976 ('the TMA').

BACKGROUND

[2] In these four suits ('four suits'):

(1) the plaintiff companies ('the plaintiffs') are proprietors of registered trademarks for various goods in Classes 3, 9, 14, 18, 24, 25 and 35 ('the plaintiffs' registered trademarks');

(2) the first defendant company ('the first defendant') is a company incorporated under the Companies Act 1965 ('the CA 1965');

(3) the second defendant ('the second defendant') is an Indian national who is a director and owner of 78% shares in the first defendant; and

(4) the third defendant ('the third defendant') is an individual who is a director and owner of 17% shares in the first defendant.

[3] The first defendant is not a distributor or retailer authorised by plaintiffs to sell goods bearing the plaintiffs' registered trademarks. However, the first defendant sold goods bearing the plaintiffs' registered trademarks ('infringing goods') at the first defendant's business premises at Regency Suite, 30th Floor, Pacific Regency Hotel Suites, Jalan Punchak, Off Jalan Ramlee 50250 Kuala Lumpur ('the first defendant's premises').

[4] The plaintiffs' representatives had gone to the first defendant's premises and purchased infringing goods on 27 April 2012, 23 November 2013, 29 March 2014, 14 June 2014, 7 September 2014 and 25 December 2014. Consequently, officers of the Ministry of Domestic Trade, Co-operatives and Consumerism ('the ministry') raided the first defendant's premises on 22 July 2012, 16 August 2014, 20 September 2014 and 25 December 2014 and seized items of infringing goods ('ministry's raids').

[5] The four suits have been filed by the plaintiffs against the first to third defendants ('the defendants') based on infringement of plaintiffs' registered trademarks under s 38(1)(a) of the TMA.

[6] In the four suits:

(a) the plaintiffs had served the writ and statement of claim of four suits ('four SOC's') on the first and second defendants by way of substituted service. The first and second defendants however did not enter appearance;

(b) the third defendant had entered appearance and had filed a defence;

(c) the plaintiffs initially filed four applications for summary judgment against the third defendant ('four SJ applications'). Subsequently, plaintiffs obtained leave of court to amend four SJ applications to apply for summary judgment against all the defendants ('four amended SJ applications');

(d) after plaintiffs had obtained leave of this court to amend four SJ applications, the third defendant filed four applications for security for costs against the plaintiffs ('four SFC applications');

(e) the plaintiffs and the third defendant consented to the following:

(i) four SFC applications to be heard together before four amended SJ applications; and

(ii) four amended SJ applications to be heard together after the disposal of four SFC applications; and

(f) this court dismissed four SFC applications with costs on the ground that those applications had not been made in good faith but were instead filed with a collateral purpose to stifle four amended SJ applications ('dismissal of four SFC applications'). No appeal to Court of Appeal has been filed by the third defendant against the dismissal of four SFC applications.

RELEVANT PRINCIPLES IN DECIDING SUMMARY JUDGMENT APPLICATION

[7] The following trite principles apply in deciding four amended SJ applications:

(a) once the plaintiffs have fulfilled the following three matters in O 14 rr 1(1) and 2(1) of the Rules of Court 2012 ('the RC'), namely:

(i) four SOC's have been served on the defendants;

(ii) the defendants have entered appearance; and

(iii) deponents of the plaintiffs have affirmed affidavits verifying the facts on which four SOC's are based and the belief of the plaintiff's deponents that there is no defence by the defendants to four SOC's; — the burden then shifts to the defendants to resist four amended SJ applications by satisfying this court under O 14 rr 3(1) and 4(1) of the RC that there is 'an issue or question in dispute which ought to be tried'. This is clear from the following two Federal Court cases:

(1) please see George Seah FJ's (as he then was) judgment in *National Company For Foreign Trade v Kayu Raya Sdn Bhd* [1984] 2 MLJ 300 at p 302; [1984] 1 CLJ Rep 283 at p 285; and

(2) the judgment of Steve Shim CJ (Sabah and Sarawak) in *Cempaka Finance Bhd v Ho Lai Ying (trading as KH Trading) & Anor* [2006] 2 MLJ 685 at pp 689–690; [2006] 3 CLJ 544 at pp 551–552; and

(b) even if the defendants cannot raise any triable issue, four amended SJ applications should still be dismissed under O 14 r 3(1) of the RC if 'there ought for some other reason to be a trial', namely there are circumstances that ought to be investigated by the court — please see Federal Court's judgment delivered by Mohd Dzaiddin FCJ (as he then was) in *United Merchant Finance Bhd v Majlis Agama Islam Negeri Johor* [1999] 1 MLJ 657 at pp 666–668.

A JUDGMENT IN DEFAULT OF DEFENCE SHOULD BE ENTERED AGAINST THE FIRST AND SECOND DEFENDANTS

[8] As the first and second defendants did not enter appearance in the four suits, summary judgment cannot be made against them — please see O 14 r 1(1) of the RC. Having said that, this court is not inclined to dismiss four amended SJ applications against the first and second defendants. This is due to the following reasons:

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(a) four SOC's claimed for, among others, injunction and inquiry of damages. In view of the relief claimed by the plaintiffs, O 13 r 6(1) of the RC (not O 13 rr 1–5 of the RC) applies to four suits. O 13 r 6(1) of the RC provides as follows:

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> *Where a writ is endorsed with a claim of a description not mentioned in rules 1 to 4, then, if any defendant fails to enter an appearance, the plaintiff may, after the time limited for appearing and upon filing an affidavit proving due service of the writ on that defendant and, where the statement of claim was not endorsed on or served with the writ, upon serving a statement of claim on him, proceed with the action as if that defendant had entered an appearance.* (Emphasis added.)

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By reason of O 13 r 6(1) of the RC, the plaintiffs could proceed with four suits against the first and second defendants as if the first and second defendants had entered appearance;

(b) O 19 r 7(1) and (3) of the RC states as follows:

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> O 19 r 7(1) *Where the plaintiff makes against a defendant or defendants a claim of a description not mentioned in rules 2 to 5, then, if the defendant or all the defendants (where there is more than one) fails or fail to serve a defence on the plaintiff, the plaintiff may, after the expiration of the period fixed under these Rules for service of the defence, apply to the Court for judgment, and on the hearing of the application the Court shall give such judgment as the plaintiff appears entitled to on his statement of claim.*
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> ...
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> r 7(3) *An application under paragraph (1) shall be by notice of application.* (Emphasis added.)

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I am of the following view:

(i) due to the relief prayed for in four SOC's, O 19 rr 2–6 of the RC do not apply to four suits;

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(ii) prayer 7 of four amended SJ applications had prayed for further and other relief as the court thinks fit (prayer 7). I am of the view that prayer 7 constitutes an application within the meaning of O 19 r 7(3) of the RC. The following appellate cases have held that the court may resort to prayer 7 and grant any appropriate remedy as is

just:

(1) Salleh Abas FJ's (as he then was) judgment in Federal Court case of *Lim Eng Kay v Jaafar bin Mohamed Said* [1982] 2 MLJ 156 at p 159; [1982] CLJ Rep 190 at p 198;

(2) the decision of Gopal Sri Ram JCA (as he then was) in the Court of Appeal in *Tan Tek Seng v Suruhanjaya Perkhidmatan Pendidikan & Anor* [1996] 1 MLJ 261 at pp 300–301; [1996] 2 CLJ 771 at pp 814–815; and

(3) Zainun Ali JCA's (as she then was) majority judgment in the Court of Appeal in *Pentadbir Tanah Daerah, Pontian & Ors v Ossons Ventures Sdn Bhd* [2009] 6 MLJ 182 at pp 190–191; [2009] 6 CLJ 713 at pp 723–724; and

(iii) O 19 r 7(1) of the Rules of the High Court 1980 ('the RHC') is identical with O 19 r 7(1) of the RC. As such, previous cases which have entered judgment in default of defence pursuant to O 19 r 7(1) of the RHC, can be applied in the construction of O 19 r 7(1) of the RC. In the following High Court cases, judgments in default of defence have been entered under O 19 r 7(1) of the RC:

(1) Steve Shim J's (as he then was) decision in *Microsoft Corp v PC House (Imbi) Sdn Bhd* [1998] 6 MLJ 402 at pp 403–404;

(2) the judgment of Suriyadi J (as he then was) in *Nik Mohd Yusof bin Nik Ismail (suing on behalf of Persatuan Pemilik dan Penduduk Serendah Golf Resort) v Majlis Daerah Hulu Selangor* [2005] 4 MLJ 338, at paras 16–17;

(3) Abdul Malik Ishak J's (as he then was) judgment in *Muthammah a/p Govindan v Masri vin Mohamed & Anor* [2000] 5 MLJ 518 at pp 523–524; and

(4) the decision of Tengku Maimun J (as she then was) in *Ferco Seating Systems (M) Sdn Bhd v The Product People Pty Ltd* [2009] 6 MLJ 874 at paras 8–9;

(c) despite the use of the mandatory term 'shall' in O 19 r 7(1) of the RC, the following cases have held that the court has a discretion to enter judgment in default of defence — *Microsoft Corp* and *Muthammah*. Accordingly, the court has a discretion to enter a judgment in default of defence against the first and second defendants and if the court so exercises its discretion to record a judgment in default of defence against the first and second defendants, the court has a further discretion to award whatever relief which the court thinks is fit and just; and

(d) I exercise my discretion under O 19 r 7(1) of the RC:

(i) *not* to grant a mandatory injunction to compel the first and second defendants to:

(1) deliver infringing goods to the plaintiffs' solicitors within seven days from the date of judgment in default of defence;

(2) deliver all documents and records regarding infringing goods to plaintiffs' solicitors within seven days from the date of judgment in default of defence;

(3) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the execution of the above delivery orders;

(4) disclose information within seven days from the date of judgment in default of defence regarding the suppliers, customers and details of supply and offer of infringing goods; and

(5) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the disclosure of the above information; and

(ii) to grant the following orders:

(1) a perpetual injunction to restrain the first and second defendants from infringing the plaintiffs' registered trademarks;

(2) an inquiry to be held by learned registrar ('inquiry') to assess damages for the infringement of plaintiffs' registered trademarks ('assessed damages');

(3) the first and second defendants shall pay assessed damages to the plaintiffs;

(4) the first and second defendants shall pay to the plaintiffs interest at the rate of 5%pa on the assessed damages from the date of judgment in default of defence until the date of full payment of assessed damages;

(5) costs of inquiry shall be determined by learned registrar and shall be paid by the first and second defendants to the plaintiffs;

(6) costs of RM5,000 for each of the four suits shall be paid by the first and second defendants to the plaintiffs; and

(7) an allocatur fee shall be imposed on all the above costs in accordance with O 59 r 7(4) of the RC.

WHETHER THE PLAINTIFFS CAN OBTAIN SUMMARY JUDGMENT AGAINST THE THIRD DEFENDANT

Contention of parties

[9] The plaintiffs advanced the following submission, among others, in support of four amended SJ applications against the third defendant:

(a) the first defendant had infringed the plaintiffs' registered trademarks under s 38(1)(a) of the TMA ('the first defendant's infringement');

(b) the third defendant was liable for the first defendant's infringement because: A

(i) the third defendant being a director and shareholder of the first defendant, together with the second defendant, had caused the first defendant's infringement as part of a common and concerted design among the first, second and third defendants; B

(ii) the third defendant together with the second defendant had procured, authorised, induced and assisted in the first defendant's infringement;

(iii) the third defendant had actively marketed and promoted infringing goods; C

(iv) the third defendant was aware of the first defendant's infringement and continued to be a director of the first defendant;

(v) the third defendant had personally paid fines imposed by the Shah Alam Sessions Court on the first defendant (please see below); and D

(vi) the third defendant is the directing mind and will of the first defendant; and

(c) the plaintiffs rely on, among others, the following Singapore High Court cases: E

(i) Belinda Ang Saw Ean J's judgment in *Creative Technology Ltd v Cosmos Trade-nology Pte Ltd and Another* [2003] 3 SLR 697; and

(ii) Yong Pung How CJ's decision in *Trade Facilities Pte Ltd & Ors v Public Prosecutor* [1995] 2 SLR 475. F

[10] The third defendant resisted four amended SJ applications on the following grounds, among others: G

(a) four amended SJ applications are based on fraud. Order 14 r 1(2)(b) of the RC does not allow summary judgment to be given in a suit which is based on an allegation of fraud; and

(b) additionally or alternatively, four amended SJ applications should be dismissed as there are issues to be tried in this case as follows: H

(i) whether the third defendant was involved in the daily management of the first defendant;

(ii) whether the first defendant's infringement was committed by the second defendant alone or with the help of the third defendant; I

(iii) whether documents regarding infringing goods (applied for in prayer 2(b) of the four amended SJ applications) are in the third defendant's possession;

(iv) whether the offence under s 8 of the Trade Description Act 2011 ('the TDA') with which the first defendant was charged by the public prosecutor ('PP'), could be attributed to the third defendant;

(v) whether the third defendant was liable for the first defendant's infringement merely on the fact that the third defendant was a director of the first plaintiff; and

(vi) whether the principle of *Salomon v Salomon & Co, Ltd; Salomon & Co, Ltd v Salomon* [1895-99] All ER Rep 33 would exclude the third defendant's liability for the first defendant's infringement.

Elements of trademark infringement under s 38(1)(a) of the TMA

[11] The relevant part of s 38(1)(a) of the TMA is reproduced below:

> 38 Infringement of a trade mark
>
> (1) *A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods* or services *in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either —*
>
> (a) *as being use as a trade mark*; ... (Emphasis added.)

[12] In the High Court case of *Leo Pharmaceutical Products Ltd A/S (Lovens kemiske Fabrik Produktionsaktieselskab) v Kotra Pharma (M) Sdn Bhd* [2009] 5 MLJ 703; [2012] 10 CLJ 507 at paras 83–84, Low Hop Bing J (as he then was) explained the five elements of trademark infringement under s 38(1)(a) of the TMA ('five elements') as follows:

> [83] *The law regulating the infringement of a trademark is enacted in* s 38(1) which reads:
>
> ...
>
> [84] *In order to succeed in this cause of action, it is incumbent upon the plaintiff to prove that*:
>
> (a) *the defendant is neither the registered proprietor nor the registered user of the trademark*;
>
> (b) *the defendant used a mark identical with or so nearly resembling the plaintiff's registered trademark as is likely to deceive or cause confusion*;
>
> (c) *the defendant was using the offending mark in the course of trade*;
>
> (d) *the defendant was using the offending mark in relation to goods or service within the scope of the registration*; and
>
> (e) *the defendant used the offending mark in such a manner as to render the use*

likely to be taken either as being used as a trademark or as importing a reference to the registered proprietor or the registered user or to their goods or services.

(See *Fabrique Ebel Societe Anonyme v Syarikat Perniagaan Tukang Jam City Port & Ors* [1988] 1 MLJ 188 at pp 191–192; [1989] 1 CLJ Rep 537 at pp 540–541 per Zakaria Yatim J (later FCJ) and applied by the same judge in *A Clouet & Co Pte Ltd v Maya Toba Sdn Bd* [1996] 1 MLJ 251 at p 258 (HC)). (Emphasis added.)

[13] I am satisfied that the five elements of the first defendant's infringement have been proven by the following undisputed affidavit evidence adduced by the plaintiffs in the four amended SJ applications:

(a) the first defendant is neither the registered proprietor nor the registered user of the plaintiffs' registered trademarks;

(b) the first defendant had used marks ('offending marks') identical with or so nearly resembling the plaintiffs' registered trademarks as was likely to deceive or cause confusion;

(c) the first defendant had used offending marks in the course of trade;

(d) the first defendant had used offending marks in relation to goods within the scope of registration of the plaintiffs' registered trademarks; and

(e) the first defendant had used offending marks in such a manner as to render that use likely to be used as a trademark.

[14] The defence, affidavits and written submission of the third defendant did not dispute the commission of the first defendant's infringement.

[15] The following High Court cases have granted summary judgment for trademark infringement under s 38(1) of the TMA:

(a) Zakaria Yatim J's (as he then was) decision in *Fabrique Ebel Societe Anonyme v Syarikat Perniagaan Tukang Jam City Port & Ors* [1988] 1 MLJ 188 at p 193; and

(b) the judgment of Ramly Ali J (as he then was) in:

(i) *Acushnet Company v Metro Gold Manufacturing Sdn Bhd* [2006] MLJU 412; [2006] 7 CLJ 557 at para 102; and

(ii) *Abercrombie & Fitch Co & Anor v Fashion Factory Outlet KL Sdn Bhd & Ors* [2008] 4 MLJ 127; [2008] 7 CLJ 413 at para 86.

Whether court should pierce the first defendant's corporate veil

[16] I am of the following view regarding the piercing or lifting of a company's corporate veil:

(a) a company is a legal person which is separate from its directors, shareholders and employees (please see the present s 20(a) of the Companies Act 2016). Accordingly, the general rule is that a company's directors, shareholders and employees should not be personally liable for the company's act or omission;

(b) the court should only pierce or lift a company's corporate veil in exceptional circumstances provided by:

(i) statute ('statutory exception'). An example of statutory exception is the Court of Appeal's judgment delivered by Abdul Malik Ishak JCA in *Mackt Logistics (M) Sdn Bhd v Malaysian Airline System Bhd* [2014] 2 MLJ 518 at p 529; [2014] 5 CLJ 851 at p 865; and

(ii) case law ('case law exception');

(c) there is a difference between the piercing of a corporate veil and its lifting. A company's corporate veil is pierced by a party when the party seeks to impose personal liability on an individual who may or may not be the company's director, shareholder or employee. The court lifts the corporate veil of a company to ascertain the true factual position without imposing any personal liability on a particular individual (please see Staughton LJ's judgment in the English Court of Appeal case of *Atlas Maritime Co SA v Avalon Maritime Ltd; The Coral Rose (No 1)* [1991] 4 All ER 769 at p 779, which was followed in *KTL Sdn Bhd v Leong Oow Lai* [2014] MLJU 1405; [2014] AMEJ 1458 at paras 66 and 67);

(d) piercing or lifting a company's corporate veil is not a cause of action in itself — please see Nallini Pathmanathan J's (as she then was) judgment in the High Court case of *Deepak Jaikishan a/l Jaikishhan Rewachand & Anor v Intrared Sdn Bhd (previously known as Reetaj City Centre Sdn Bhd and formerly known as KFH Reetaj Sdn Bhd) & Anor* [2013] 7 MLJ 437 at p 458;

(e) piercing or lifting a corporate veil is also not a remedy in itself. Having said that, there is nothing in law to prohibit a party from applying to court for a declaration that an individual is the controller, alter ego or 'directing mind and will' of a company;

(f) to pierce or lift a corporate veil, three recent Federal Court judgments require two conditions to be fulfilled cumulatively ('two conditions'), namely:

(i) the piercing or lifting of a corporate veil is in the interest of justice ('first condition'); and

(ii) there exists special circumstances to pierce or lift the corporate veil

('second condition'), such as:

(1) there has been commission of actual fraud or common law fraud;

(2) equitable fraud or constructive fraud has been committed;

(3) to prevent evasion of liability; or

(4) to prevent an abuse of corporate personality.

I rely on the following three Federal Court judgments which have laid down the two conditions:

(aa) Hasan Lah FCJ's judgment in *Solid Investments Ltd v Alcatel-Lucent (M) Sdn Bhd (previously known as Alcatel Network Systems (M) Sdn Bhd)* [2014] 3 MLJ 785 at pp 803–804; [2014] 3 CLJ 73 at p 92;

(bb) the decision of Richard Malanjum CJ (Sabah and Sarawak) in *Gurbachan Singh s/o Bagawan Singh & Ors v Vellasamy s/o Pennusamy & Ors (on their behalf and for the 213 sub-purchasers of plots of land known as PN35553, Lot 9108, Mukim Hutan Melintang, Hilir Perak) and other appeals* [2015] 1 MLJ 773 at paras 96–99; and

(cc) the judgment of Richard Malanjum CJ (Sabah and Sarawak) in *Giga Engineering & Construction Sdn Bhd v Yip Chee Seng & Sons Sdn Bhd & Anor* [2015] 6 MLJ 449; [2015] 9 CLJ 537 at paras 39, 44–45;

(g) in respect of the second condition:

(i) the categories of special circumstances to pierce or lift the corporate veil, are not closed; and

(ii) the second condition is laid down by case law and should not be applied in an inflexible manner as if the second condition is a strict mandatory statutory requirement; and

(h) whether the court should exercise its discretion to pierce or lift the corporate veil is a question of fact dependent upon the particular circumstances of the case in question. As such, decided cases on this matter are not binding precedents from the view point of the stare decisis doctrine.

[17] The four suits and four amended SJ applications sought to pierce the first defendant's corporate veil so as to impose personal liability on the third defendant for the first defendant's infringement.

[18] The plaintiffs had adduced affidavit evidence which affirmed the following:

(a) in respect of infringing goods, the PP had instituted criminal proceedings against, among others, the first defendant, in the Shah Alam Sessions Court for offences under s 8 of the Trade Descriptions Act 2011 ('the criminal charges');

(b) the first defendant had pleaded guilty to the criminal charges and was fined a total of RM318,000 ('RM318,000 fine'); and

(c) the RM318,000 fine had been personally paid by the third defendant.

[19] The plaintiffs' sworn averment in their affidavits that the third defendant had personally paid the RM318,000 fine, had not been denied by the third defendant in his affidavit in opposition to the four amended SJ applications. It is trite law that any factual averment in a party's affidavit which has not been denied by the opposing party by way of affidavit, is deemed to be admitted by the opposing party — please see the Federal Court's judgment delivered by Chong Siew Fai CJ (Sabah and Sarawak) in *Sunrise Sdn Bhd v First Profile (M) Sdn Bhd & Anor* [1996] 3 MLJ 533 at p 541. Consequently, the third defendant is deemed to have accepted the plaintiffs' allegation that the third defendant has personally paid the RM318,000 fine.

[20] I am of the view that the two conditions for the application of case law exception, have been fulfilled in the four amended SJ applications. This decision is based on the following evidence and reasons:

(a) the first condition is satisfied (the piercing of the first defendant's corporate veil is in the interest of justice) as follows:

(i) the third defendant was under no obligation whatsoever to pay the RM318,000 fine for the first defendant and yet, the third defendant did so. It is inconceivable for any reasonable individual to pay a hefty fine imposed on a company if that individual is not the controller, alter ego and the 'directing mind and will' of the company;

(ii) the defence and affidavit of the third defendant in all four suits, claimed to have resigned as a director of the first defendant 'at the end of 2014'. Such an allegation cannot be accepted for the following reasons:

(1) if the third defendant had indeed resigned as a director of the first defendant, there would be no reason for the third defendant to have personally paid the RM318,000 fine for the first defendant;

(2) the plaintiffs' affidavits have exhibited a search dated 28 April 2016 from the records of Companies Commission of Malaysia ('SSM') which showed that the third defendant is still a director of the first defendant ('SSM's record'). No documentary evidence had been

adduced by the third defendant to show that SSM's record was erroneous and the third defendant was no longer the first defendant's director; and

(3) the third defendant had not adduced any documentary evidence regarding his alleged resignation as the first defendant's director; and

(iii) according to SSM's record, the third defendant owns 170,000 paid-up shares (of nominal value of RM1 for each share) in the first defendant. Hence, the third defendant is not a complete stranger to the first defendant. On the contrary, the third defendant has a substantial financial interest in the first defendant. There is no evidence that the first defendant has any other business save for selling infringing goods. Accordingly, the third defendant could not claim ignorance of the first defendant's infringement when he had invested substantially in the first defendant which only sold infringing goods; and

(b) the second condition is fulfilled in four suits because there exists the following special circumstances to pierce the first defendant's corporate veil:

(i) the third defendant should not evade statutory liability for trademark infringement under s 38(1)(a) of the TMA owed to the plaintiffs; and/or

(ii) the first defendant's corporate personality should not be abused by the third defendant.

[21] Additionally or alternatively:

(a) the third defendant has the legal onus to raise a triable issue so as to resist successfully four amended SJ applications (please see the above sub-para 7(a)). Based on the evidence and reasons as elaborated in the above para 20, I am not satisfied that the third defendant has successfully discharged the legal burden to raise an issue which should be tried in the four suits; and

(b) there is no 'other reason for trial' in the four suits as there is no circumstance which ought to be investigated in these cases, especially in light of the third defendant's payment of the RM318,000 fine for the first defendant.

[22] I am constrained to reject the following contentions advanced by the third defendant's learned counsel:

(a) the four suits and four amended SJ applications are not based on fraud but are premised on trademark infringement under s 38(1)(a) of the TMA; and

(b) the third defendant can be the controller, alter ego and the 'directing mind and will' of the first defendant so as to be personally responsible for the first defendant's infringement without:

(i) being involved in the daily management of the first defendant;

(ii) having possession of documents regarding infringing goods; and

(iii) being convicted for any offence under TMA and/or TDA in respect of infringing goods. It is to be noted that the criminal charges are separate from the four suits.

THE COURT'S DECISION

[23] Premised on the above evidence and reasons, the following summary judgment is granted against the third defendant ('summary judgment'):

(a) a perpetual injunction to restrain the third defendant from infringing plaintiffs' registered trademarks;

(b) a perpetual mandatory injunction to compel the third defendant to:

(i) deliver infringing goods to the plaintiffs' solicitors within seven days from the date of summary judgment; and

(ii) deliver all documents and records regarding infringing goods to the plaintiffs' solicitors within seven days from the date of summary judgment;

(iii) affirm, file and serve an affidavit on plaintiffs' solicitors which verifies the execution of the above delivery orders;

(iv) disclose information within seven days from the date of summary judgment regarding the suppliers, customers and details of supply and offer of infringing goods; and

(v) affirm, file and serve an affidavit on the plaintiffs' solicitors which verifies the disclosure of the above information;

(c) inquiry to be held by learned registrar to ascertain assessed damages;

(d) an order that the third defendant shall pay assessed damages to the plaintiffs;

(e) an order that the third defendant shall pay to the plaintiffs interest at the rate of 5%pa on assessed damages from the date of summary judgment until the date of full payment of assessed damages;

(f) costs of inquiry shall be determined by learned registrar and shall be paid by the third defendant to the plaintiffs;

(g) costs of RM8,000 for each of the four amended SJ applications shall be paid by the third defendant to the plaintiffs; and

(h) an allocatur fee shall be imposed on all the above costs in accordance with O 59 r 7(4) of the RC.

Summary judgment granted against third defendant.

Reported by Dzulqarnain Ab Fatar